

**Commonwealth of Massachusetts**  
**Executive Office of Health and Human Services**

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## **Virtual Gateway**



**FY2007 POS Provider Qualification Manual**  
**March 2006**



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## Chapter 1: Introduction

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### Overview

Each year all state agencies within the Executive Office of Health and Human Services (EOHHS) are responsible for qualifying those provider organizations with whom they contract for human and social services.

Often, provider organizations render services to multiple EOHHS state agencies, however, the provider organization is qualified by only one; the one that contracts with them for the greatest amount of dollars.

The state agency that qualifies the provider organization is referred to as the Principal Purchasing Agency (PPA).

In FY2006, EOHHS is introducing a new tool to assist purchasing agencies in conducting its annual provider qualification process.

The Provider Data Management system (PDM) is a web-based tool that holds enterprise-wide information on POS providers. PDM has a direct interface with the OSD Uniform Financial Report database and the MMARS Commonwealth Information Warehouse and provides summary financial information on providers.

Individuals conducting re-qualification activities in purchasing agencies can log in to PDM to view this information, thus facilitating the annual review process.

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### About this Manual

This manual covers procedures for determining provider qualification for Fiscal Year 2007

Topics include:

- Review FY 2007 Transitional Provider Qualification Workflow
  - Review Uniform Financial Report (UFR)
  - Interpret the Independent Auditor's Report
  - Access Provider Data Management (PDM) to review results of the Financial Assessment Measures (FAM) against the established thresholds
  - Complete a Corrective Action Plan (CAP) - optional
-



- 
- Assign an Annual Provider Qualification Status
  - Pre-qualify New Providers
  - Review Master Provider Qualification Status Report
  - Record results of review in PDM
  - Review documentation and correspondence
- 

**Purpose of  
Provider  
Qualification**

The Provider Qualification review process is performed for the following reasons:

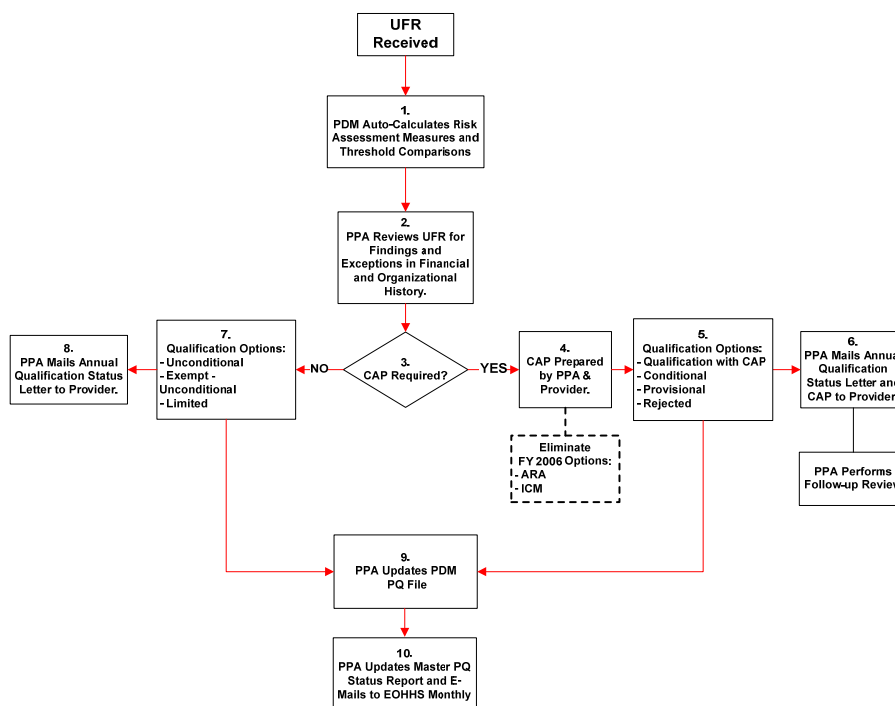
- To ensure the financial and program integrity of the Purchase of Service system.
  - Minimize financial and administrative risk to the Commonwealth and the people served through the POS system.
  - To maintain current, accurate information on Purchase of Service organizations, including addresses, contact names, and other information critical to the effective and efficient management for the POS System.
-



## Workflow Overview

This workflow displays the process for Provider Qualification. Each step is covered in depth in this course.

Here's the flow chart for FY 2007 Transitional Provider Qualification Workflow:



**Note:** Providers that have an A-133 Audit (more than \$500K in Federal Funding) are required to have a full review annually.





## Chapter 2: Reviewing the Uniform Financial Report

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### Overview

The UFR must be reviewed as part of the annual provider qualification process.

To access the Operational Service Division (OSD) E-Filing web site, go to <https://ufr.osd.state.ma.us/home.asp> which navigates the user to the Uniform Financial Statements & Auditor's Report Subscription Service for an Advanced UFR Search.

From this website, the UFR template can be saved to your computer for printing purposes.

The Financial Statements, Auditor's Opinion Letters, and the Notes to the Financial Statements may be printed directly from the OSD E-File if the documents are uploaded as PDF files. If not the documents will need to be saved to the user's PC and print copies from your PC.

A login identification code and password must be obtained from OSD in order to perform an advanced UFR search.

Contact Terry McCarthy at (617) 720-3373 or e-mail him at [Terrence.McCarthy@OSD.state.ma.us](mailto:Terrence.McCarthy@OSD.state.ma.us) for this information.

**Note:** An advanced UFR search is not required to complete a provider's annual qualification.

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## UFR

Review the following sections within the UFR as part of completing a provider qualification:

1. Cover page for general administrative information, list of all provider programs, PPA, A-133 status, etc.
2. Independent Auditor's Report (Auditor's Opinion on the Financial Statements)
3. Report on Compliance and Internal Control over Financial Reporting (findings)
4. Report on Compliance and Internal Control over Major Programs, A-133 (findings)

**Important:** For items 3 and 4 if applicable, prior year findings are followed up by the CPA Firm and the status reported in the current audit.

5. If there are findings, a Schedule of Findings and Questioned Costs must be reviewed and appended to the CAP as supplemental information
6. Notes to Financial Statements; (Going Concern Warning, Contract over billings, Capitalization Threshold, Amounts Due the Commonwealth, Related Party Transactions, Pending Litigation/Lawsuits, etc.)
7. Management Letter reviewed for possible findings, such as a provider that has multiple programs but does not have a cost allocation plan
8. Surplus Revenue Retention 5% & 20%, Automatic Calculations are viewed to the right of Schedule A of the UFR



## Chapter 3: Interpreting the Independent Auditor's Report

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### Overview

*“An auditor’s standard report explains whether the financial statements present fairly, in all material respects, an entity’s financial position, results of operations and cash flow (and Statement of Functional Expenses, for non-profits) in conformity with Generally Accepted Accounting Principles (GAAP) based on an audit performed in accordance with Generally Accepted Government Auditing Standards GAGAS.”* (Sources: AU 508 and AU 801, FASB 117)

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### Types of Opinions

The following table lists the different types of Auditor’s Opinions.

#### *Auditor’s Opinions:*

Type	Definition
Unqualified Opinion	States the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with GAAP. This is the opinion expressed in the auditor’s standard report.
Qualified Opinion	States that, except for the effects of the matter(s) to which the qualification relates, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with GAAP.
Adverse Opinion	States the financial statements do not present fairly the financial position, results of operations, and cash flows of the entity in conformity with GAAP. An adverse opinion cannot be expressed unless an audit in accordance with Generally Accepted Auditing Standards (GAAS) has been performed.

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The following table lists the different types of Auditor's Opinions.

***Auditor's Opinions:***

Type of Opinion	Definition
Disclaimer of Opinion	States that the auditor is unable to and does not express an opinion on the financial statements.
Going Concern	States material weaknesses and reportable conditions noted during the review. These concerns raise substantial doubt about an entities ability to continue doing business.
Compilation (Traditional and Management-use-only engagements)	Presents financial statements that are the representation of management or owner's without expressing any assurance on those statements.
Review	Applies inquiry and analytical procedures to financial statements to provide a basis for expressing limited assurance that there are no material modifications that should be made to these statements for them to be in conformity with GAAP or Other Comprehensive Basis of Accounting (OCBOA).

**Source:** Dr. Carmichael, D. Guy & L. Lach (2003). *Practitioner's Guide to GAAS: Covering all SASs, SSAEs, SSARs, and Interpretations*. Hoboken, NJ: Wiley & Sons.

**Reference:** See Chapter 10 - Documentation and Correspondence for examples of Independent Auditor's Reports (Auditor's Opinions).

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## Chapter 4: Accessing Provider Data Management to Review Financial Assessment Measures

### Introduction

You can access Provider Data Management (PDM) to review results of the Financial Assessment Measures (FAM) against the established thresholds.

Agency pre-qualification analysts will access PDM to review summary information on seven financial assessment measures that reflect the general financial stability of each provider organization.

### Accessing PDM through the Virtual Gateway

To access *PDM*:

1. Open an Internet Explorer session.
2. Type Web address [www.mass.gov/eohhs](http://www.mass.gov/eohhs) in browser.

*Health and Human Services portal page appears.*

3. Click the **Manage Provider Data** link.



*Virtual Gateway Business Services portal page appears for login.*

**Note:** Security requires that each person have a username and password.

4. Enter your **Username** and **Password** in the **Login** box, and then click the **Submit** button.

Virtual Gateway Business Services

The Virtual Gateway offers a new way to access health and human service programs. To get started, login to the right, or learn how to [become an authorized user](#). The following online services are currently available:

**Catalog:** An online catalog with descriptions of several of the most widely used programs in Health and Human Services.

**Screening & Referral:** A short online survey for consumers and providers to determine potential eligibility for select EOHHS programs. Multiple services can be assessed at the same time.

**Intake:** A single, online data collection tool for registered providers to create applications for multiple EOHHS programs on behalf of clients. (Login required.)

**Homeless Management:** An online data collection, case management, and reporting tool for registered homeless shelters and providers to manage daily operations within their organizations (Login required).

**Transitional Assistance Gateway:** An online inquiry tool for registered agencies to view secure case management information for various transitional assistance programs, including Food Stamps, financial assistance, and homeless services. (Login required).

**Login**

Username

Password

(case-sensitive)

[Forgot password?](#)

**Virtual Gateway Help Desk:**  
1-800-421-0938  
1-617-988-3301 (TTY)  
9 AM - 5 PM, Monday - Friday

*The post-login, Virtual Gateway Business Services portal page appears.*

Welcome

Last Update: February 2, 2006 11:29 AM

Virtual Gateway Business Services

**Virtual Gateway**  
Executive Office of Health and Human Services  
[Mass.gov/eohhs](http://Mass.gov/eohhs)

**Services**

[Catalog of Services](#)  
[Common Intake Form](#)  
[Interpreter Referral Information System](#)  
[Screen for Eligibility](#)  
[View Purchase of Service Provider Data](#)  
[Enterprise Reporting](#)  
[Homeless Management](#)

[Return to the HHS Home page](#)

Once logged in, you have access to the Virtual Gateway services. To access PDM, click the **View Purchase of Service Provider Data** link.



## Searching for a POS Provider

You can use the **Search** page to select or search for a POS Provider, or click the **Enterprise Reporting Service** link to compare information about one or more providers.

**Tip:** The **Search** page gives you three options: select using the Provider's first initial, or search by FEIN or provider name. You can enter either a partial or an entire FEIN/TIN or Name.

## Search Page

The following is an example of the **Search** page.

Health and Human Services

October 7, 2005

CONSUMERS PROVIDERS RESEARCHERS GOVERNMENT

Mass.gov Home State Agencies State Online Services

Provider Data Management

- Links to Related Information
- Exit

Help Desk and Training

- User Manual
- FAQs
- PDM How-to-Demos
- Job Aids
- Phone Number  
1-800-421-0938

Select Provider

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

Search Provider

FEIN #:

Name:

Report on Data from Multiple Providers

- Enterprise Reporting

Agency staff has access to the Enterprise Reporting Service which enables ad hoc analysis on one or many providers using Commonwealth Information Warehouse and Operational Services Division (OSD) Uniform Financial Reports (UFR) Data. In order to use this service, users must be working from a computer on the state network or using a state virtual private network (VPN) account. For login or access problems please contact the Virtual Gateway Help Desk and they will refer you to the appropriate resource. To access the Cognos directly please book mark the following link: [warehouse.ehs.state.ma.us](http://warehouse.ehs.state.ma.us)

Follow these steps to select or search for a POS Provider:

1. To select a Provider, click the letter that corresponds to that particular Provider.

*POS Provider links appear with this first initial letter.*

OR

To search for a Provider type the Providers **FEIN/TIN**, or **Name**. Click **GO**.

*POS Provider links appear with this first initial letter.*



## 2. Click the **POS Provider** link.

*The Agency Business Functions page appears.*

**Provider Data Management**

- [Links to Related Information](#)
- [Search for a Provider](#)
- [Exit](#)

**Help Desk and Training**

- [User Manual](#)
- [FAQs](#)
- [PDM How-to-Demos](#)
- [Job Aids](#)
- [Phone Number](#)  
1-800-421-0938

**Test Organization**

**Provider Qualification Unit Business**

- [View Information Summary](#)
  - [General Information Detail](#)
  - [EOHHS Services Taxonomy](#)
  - [Provider Contract Summary](#)
  - [Provider Qualification](#)
  - [Financial Measures](#)
  - [Required Forms and Documents](#)
- [Provider Qualification](#)
  - [Qualification Detail](#)
- **Other Business Services**
  - [Analyze Data about Multiple Providers](#)
  - [Links to Related Information](#)

**View Information Summary:** Summary information about a single EOHHS Provider that can be viewed on a single page or click on the detail pages for more in depth information.

**Provider Qualification:** View and Update information pertaining to an EOHHS Provider's qualification status as well as information submitted by the Provider Qualification Unit.

**Analyze Data about Multiple Providers:** Perform ad hoc analysis on one or many providers using Commonwealth Information Warehouse and Operational Services Division (OSD) Uniform Financial Reports (UFR) Data. In order to use this service, users must be working from a computer on the state network or using a state virtual private network (VPN) account. For login or access problems please contact the Virtual Gateway Help Desk and they will refer you to the appropriate resource. To access the Cognos directly please bookmark the following link: [warehouse.ehs.state.ma.us](http://warehouse.ehs.state.ma.us). A separate login is required for this service.

**Links to Related Information:** Select from a comprehensive list of useful links to other sources of information pertaining to contracting and commonwealth business processes and procedures.

## Viewing Financial Measures

The Financial Assessment Measures determines the financial stability of the provider.

The POS Program Integrity Unit standardizes the Financial Assessment Measures and establishes benchmarks.

The **Financial Measures** page is pre-populated from the Operational Services Division (OSD) Uniform Financial Report (UFR) on a regular basis.

Access the **Detail Financial Measures** page by clicking the **Financial Measures** link from the **Business Functions** page.

**Health and Human Services**

October 13, 2005

**CONSUMERS** **PROVIDERS** **RESEARCHERS** **GOVERNMENT**

[Mass.Gov Home](#) [State Agencies](#) [State Online Services](#)

**Provider Data Management**

- [Links to Related Information](#)
- [Search for a Provider](#)
- [Exit](#)

**Help Desk and Training**

- [User Manual](#)
- [FAQs](#)
- [PDM How-to-Demos](#)
- [Job Aids](#)
- [Phone Number](#)

**Test Organization**

**Provider Qualification Unit Business**

- [View Information Summary](#)
  - [General Information Detail](#)
  - [EOHHS Services Taxonomy](#)
  - [Provider Contract Summary](#)
  - [Provider Qualification](#)
  - [Financial Measures](#)
  - [Required Forms and Documents](#)
- [Provider Qualification](#)
  - [Qualification Detail](#)
- **Other Business Services**
  - [Analyze Data about Multiple Providers](#)
  - [Links to Related Information](#)



## Detail Financial Measures page

*The Detail Financial Measures page appears.*

Test Organization		Detail Financial Measures			
Financial Measures from UFR		Last Updated with OSD: 10/04/2005			
Primary Ratios					
	FY05	FY04	FY03	Threshold Variance	
<a href="#">Current Ratio</a>	0.82	0.68	0.25	≥	1.0
<a href="#">Days in Working Capital</a>	-8.89	-38.24	-152.69	≥	10.0
<a href="#">Operating Margin</a>	-0.11 %	0.08 %	0.13 %	≥	(5)%
Secondary Ratios					
	FY05	FY04	FY03	Threshold Variance	
<a href="#">Total Margin</a>	-0.11 %	0.08 %	0.13 %	≥	(5)%
<a href="#">Days in Cash</a>	21.92	8.84	9.26	≥	10.0
<a href="#">Days in Receivable</a>	12.29	30.49	33.02	≤	90.0
<a href="#">Days in Payables</a>	49.06	119.94	202.84	≤	60.0
<a href="#">Long-term Debt to Net Assets</a>	-35.83	1.29	0.0	N/A	
<a href="#">Operating Cash Flow to Current Liabilities</a>	-0.8	-0.08	0.29	N/A	
Uniform Financial Report (UFR)					
Provider Fiscal Year End Date:		06/30/2005			
		Original Submittal Date	Last Updated		
FY 04 UFR Filing Status:		11/29/2004	11/29/2004		
FY 03 UFR Filing Status:		11/17/2003	11/17/2003		
FY 02 UFR Filing Status:		05/30/2003	05/30/2003		
Link to OSD Website to View Submitted UFR: <a href="https://ufr.osd.state.ma.us/home.asp">https://ufr.osd.state.ma.us/home.asp</a>					

## Financial Assessment Measures

Three primary ratios should be reviewed as part of the re-qualification review. The three primary ratios will be analyzed to determine if a provider will require a corrective action plan for the fiscal year being reviewed.

The ratios will be compared to the established thresholds for provider conformance. Six supplementary ratios are also provided and should be



reviewed for those providers that have border-line acceptable/unacceptable thresholds.

The PPA will review the primary ratios results for conformance with the following standards:

- Current Ratio: > 1.0
- Days Working Capital: > 10 Days
- Operating Margin: > (5) % Loss

**Note:** If after reviewing the three primary ratios a provider is found to be in non conformance with the established thresholds, a CAP should be initiated by the PPA.

Term	Definition
Current Ratio	<p>This ratio is one of the most widely used financial measures of a company's liquidity, in other words, the organization pays its current liabilities.</p> <p>Generally the higher the ratio the greater the "cushion" between current obligations and the company's ability to pay for them.</p> <p>Formula: Total Current Assets (Line 11, SOP) / Total Current Liabilities (Line 26, SOP)</p>
Days in Cash	<p>Expressed as the number of days that operating cash can be met with available cash and investments. And values above median are favorable.</p> <p>Formula: (Cash &amp; Cash Equivalents (Line 1, SOP) * 365) / (Total Expenses &amp; Losses (Line 19, SOA) less Total Depreciation of Buildings and Equipment (Line 7, SFE))</p>
Days in Working Capital	<p>Formula: (Total Current Assets (Line 11, SOP) less Total Current Liabilities (Line 26, SOP)) * 365 / (Total Expenses (Line 17, SOA) less Total Depreciation of Buildings and Equipment (Line 7, SFE))</p>



<b>Term</b>	<b>Definition</b>
Days in Payables	Formula: (Total Current Liabilities (Line 26, SOP) Less Deferred Revenues (Line 24, SOP) *365) / Total Expenses & Losses (Line 19, SOA) less Total Depreciation of Buildings and Equipment (Line 7, SFE)
Long-Term Debt to Net Assets	Formula: Long-Term Notes & Mortgage Payable (Line 27, SOP) / Total Net Assets (Line 34, SOP)
Days in Receivable	Formula: (Net Accounts Receivable, Program Services (Line 4, SOP) * 365) / Program Service Fees (Line 4, SOA)
Total Margin	Formula: (Total Revenue, Gains, & Other Support (Line 13, SOA) less Total Expenses & Losses (Line 19, SOA)) / Total Revenue, Gains and Other Support (Line 13, SOA)
Operating Margin	Formula: (Total Revenue, Gains, and Other Support (Line 13, SOA) less Total Expenses (Line 17, SOA) / Total Revenue, Gains and Other Support (Line 13, SOA)
Operating Cash Flow to Current Liabilities	Formula: Cash Flow from Operations (Line 14, SCF) / Total Current Liabilities (Line 26, SOP)
SOP	Statement of Financial Position (Balance Sheet)
SOA	Statement of Activities (Income Statement)
SCF	Statement of Cash Flow
SFE	Statement of Functional Expenses





## Chapter 5: Completing a Corrective Action Plan

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### Overview

A Corrective Action Plan (CAP) is prepared when there are material weaknesses and/or reportable conditions noted in the Auditor's Report on Compliance and Internal Control over financial reporting. A CAP is also required when a provider's primary financial assessment measures do not meet the established thresholds recorded in PDM.

#### *Notes:*

- If there are no findings and the financial assessment measures are satisfactory, the PPA can grant the provider an Unconditional Qualification Status and the respective Qualification Letter will be e-mailed/mailed to the provider.
  - This status will be communicated to EOHHS when the PPA updates PDM and the Master Provider Qualification Status Report which currently summarizes the annual statuses for four fiscal years.
- 

### What triggers a CAP?

When findings are noted in the Auditor's Reports, a Schedule of Findings and Questioned Costs should be reviewed and printed, and a CAP drafted for the reportable conditions.

A copy of the Schedule of Findings and Questioned Costs should be used by the PPA when listing the deficiencies and should be attached and become part of the CAP for additional information.

The PPA should also review the other matters noted in the Management letter, if applicable, for the seriousness of the issues noted. Some of these issues may be addressed in the CAP.

**Important:** Any provider that has two or more programs should have a written cost allocation plan.

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### Completing a CAP

The following steps must be performed to complete the CAP process.

#### *A CAP is:*

1. Negotiated by the PPA and the provider when findings are noted and the financial assessment measures do not meet the established thresholds. **Note:** The CAP includes the provider's input on the respective corrective measures, and
-



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the time frame that each corrective measure will be implemented, etc. See Chapter 10 – Documentation and Correspondence for an example of the Corrective Action Plan template.

2. Entered into a provider Qualification CAP Monitoring Log.  
**Note:** The log is maintained by the PPA to track a provider's follow-up on findings noted in the CAP. See Chapter 10 – Documentation and Correspondence for an example of the FY05 CAP Monitoring Log.

**Important:** Any excess surplus revenue retention resulting from unit rate contracts should be included in the CAP. Refer to the right side of Schedule A of the UFR for this calculation and/or notes to the financial statements.

***After completing the CAP:***

3. The PPA prepares a Preliminary CAP letter identifying the proposed deficiencies. **Note:** In some instances, the Provider Qualification Analyst (PQA) may forward the proposed CAP and respective letter to their Supervisor for review and approval. See Chapter 10 – Documentation and Correspondence for a standardized example of a Preliminary CAP letter.
4. The supervisor approves the Preliminary CAP and respective letter.
5. The analyst e-mails/mail the documents to the provider. A copy of this letter and the respective attachments will be forwarded to the appropriate Program Managers and the PPA for informational purposes.

**Important:** The Provider has 45 days to provide the required documentation to the PPA.

6. The PQA reviews the documentation for acceptability upon receiving the Provider's response.
  7. The updated CAP is then reviewed by the Supervisor for appropriateness.
  8. The supervisor will return the documents to the PQA if the agreement(s) are proper, and prepare a letter to the Provider requesting the vendor's Board of Directors to review the final documents.
-



- 
9. The Provider's authorized representative, with the approval of the Board, will then sign the agreements and return them to the PQA for processing.

***Upon receiving the final documents from the provider:***

10. The analyst will forward the agreement(s) to the Department's authorized representative for review and final approval.
11. The PPA authorized representative will return the signed CAP to the analyst who will prepare the final CAP letter and mail a copy of the approved documents to the provider.  
**Note:** The original CAP and respective letter are maintained in the Provider Qualification Unit files for future reference. See Chapter 10 - Documentation and Correspondence for a standardized example of a Final CAP letter.
12. A copy of all finalized CAPs will be e-mailed to the EOHHS POS Program Integrity Unit Manager and the Director of the Audit Bureau at the Operational Services Division (OSD), for Secretariat and OSD informational purposes.

***Contacts:***

EOHHS - [Paul.Lewandowski@Massmail.state.ma.us](mailto:Paul.Lewandowski@Massmail.state.ma.us)

OSD - [Terrence.McCarthy@osd.state.ma.us](mailto:Terrence.McCarthy@osd.state.ma.us)

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## Chapter 6: Assigning an Annual Qualification Status

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### Overview

The Contracting/Qualification review process is performed for the following reasons:

- To ensure the financial and program integrity of the Purchase of Service system.
  - To minimize financial and administrative risk to the Commonwealth and the people served through the POS system.
  - To maintain current, accurate information on Purchase of Service organizations, including addresses, contact names, and other information critical to the effective and efficient management of the POS system.
- 

### Qualification Status Categories

The following qualification statuses will be used for FY2007:

- Limited Qualification
  - Unconditional Qualification
  - Qualification with a Corrective Action Plan
  - Conditional Qualification
  - Provisional Qualification
  - Rejected Qualification
- 

### Limited Qualification

The provider is considered qualified to do limited business with the Commonwealth for the upcoming fiscal year (or the upcoming contract period if it is less than a full year).

**Tip:** Click the *Federal Funds Reports* on the OSD home page at: <https://ufr.osd.state.ma.us/home.asp>, to confirm the total amount of State POS expenditures (this amount includes the total federal funds received by a provider).

**Notes:**

- The amount of the total State POS expenditures must be verified to ensure that the provider qualifies for a limited qualification status. For the purposes of FY2007 requalification, the total of the Federal and State Funding must be less than \$500,000 to retain a limited qualification status.
-



- 
- Refer to the OSD Exceptions/Exemptions matrix for alternative requirements to filing a UFR. See Chapter 10 – Documentation and Correspondence for a copy of the OSD Exceptions/Exemptions matrix.

The category actually consists of two distinct related statuses, each with a separate code for data submission purposes:

- Contractor revenues from all sources are not expected to exceed \$500,000 per year.
- Contractor revenues from all sources are not expected to exceed \$100,000 per year. (OSD UFR filing requirements vary)

---

***Contractor Revenue Criteria (\$500,000 or less):***

- During the nonprofit organization's reporting year the agency had gross revenues equal to or greater than \$100,000 but less than \$500,000 from all revenue sources.
- The provider is not required to file an A-133 audit with the Commonwealth (i.e., direct and/or sub-recipient federal funding subject to A-133 audit requirements did not exceed \$500,000 for the organization's last fiscal year).
- All MMARS contract processing requirements have been met (e.g. FEIN documentation).
- Any Corrective Action Plan requirements have been met.

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***Contractor Criteria Revenue (\$100,000 or less):***

- During the nonprofit organization's reporting year the agency had gross revenues less than \$100,000 from all revenue sources.
  - The provider is not required to file an A-133 audit with the Commonwealth (i.e., direct and/or sub-recipient federal funding subject to A-133 audit requirements did not exceed \$500,000 for the organization's last fiscal year).
  - All MMARS contract processing requirements have been met (e.g. FEIN documentation).
  - Any Corrective Action Plan requirements have been met.
-



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**Unconditional Qualification**

The provider is considered financially and administratively qualified to do business with the Commonwealth for the upcoming fiscal year (or the upcoming contract period if it is less than a full year). There is no procurement restrictions imposed.

---

***Criteria:***

- During the nonprofit organization's reporting year the agency had gross revenues exceeding \$500,000 from all revenue sources and is otherwise ineligible for Limited Qualification.
  - All required provider qualification submissions have been completed, reviewed, and found to be satisfactory.
  - The provider and all affiliates/commonly controlled entities are in satisfactory financial condition and are in full compliance with other applicable state and federal requirements (e.g., tax filing, debarment, etc.).
  - For governmental entities, review is limited to contracting administrative requirements and A-133 audit where applicable.
  - There are no audit findings requiring resolution under the OSD Audit Resolution Policy, no OSD sanction requests and no other concerns significant enough to warrant a corrective action plan.
- 

**Qualification with a Corrective Action Plan**

The provider is considered qualified to do business with the Commonwealth subject to the terms and deadlines set forth for the implementation of a corrective action plan.

While audit resolution issues must be addressed through a formal Corrective Action Plan (CAP) executed jointly by the provider and the Commonwealth, financial and other issues may be handled on a less formal basis where the issues are of "routine" rather than "major" concern. The length of time for which this qualification status remains in effect is dependent on the PPA's determination and may be for a period of less than 12 months.

In practice, depending on the type and severity of issues involved (see below) the provider is actually notified that it has been qualified with a CAP for one of the following weaknesses:

- Findings (Internal Control/Compliance)
  - Financial Ratio Issues
-



- 
- Findings & Financial Ratio Issues
- 

***Criteria:***

- During the nonprofit organization's reporting year the agency had gross revenues exceeding \$500,000 from all revenue sources and is otherwise ineligible for Limited Qualification.
  - All required provider qualification submissions have been completed and reviewed. (See Provisional Qualification or Rejection/Termination in this chapter regarding incomplete submissions.)
  - The PPA's review has identified deficiencies that must be addressed and corrected in order for the provider to continue doing business with the Commonwealth and the deficiencies do not meet the criteria for Conditional Qualification status or Rejection/Termination.
- 

***Criterion:***

Corrective Action Plans (CAPs) covering all identified deficiencies have been submitted, reviewed and executed where required.

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***Issues of Major and Routine Concerns:***

While the use of formal CAPs are required for the resolution of all audit findings, the use of formal CAPs or more informal monitoring approaches to corrective measures is determined by whether or not the issues are "**Major**" or "**Routine**" concerns.

**Issues of routine concern** are those where, in the judgment of the PPA, the issues are not longstanding or extremely serious and are likely to be successfully addressed within an 18 month period.

Issues are categorized as being of **major concern**, requiring execution of a formal CAP where:

- a) the issues have been long standing and have not been adequately addressed by the provider; or
  - b) the issues are extremely serious (e.g., problems meeting payroll, loss > 5%, negative current unrestricted fund or net asset balances, etc.); or
-



- 
- c) there is a concern on the part of the PPA that issues that are not yet extremely serious may become so due to questions regarding the provider's ability or willingness to appropriately and successfully respond in a timely manner.

**Note:** Where the provider's ability or willingness to meet its contractual obligations is in doubt (regardless of the presence or absence of a "Going Concern" audit opinion), or where other Conditional Qualification criteria apply, the provider must be Conditionally Qualified rather than Qualified with a CAP.

---

***Limitations/Conditions:***

The provider must fully comply with all requirements for corrective measures within the specified time frames. Failure to comply shall cause a reopening of the prequalification status resulting in possible change of status (e.g., to Conditional Qualification or, in extreme cases, Rejection/Termination) and the implementation of Non-filing & Non-compliance Penalties where appropriate.

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**Conditional Qualification**

Due to information contained in the provider's audit or other information developed by the PPA review, it appears that the provider is not financially and/or administratively qualified to do business with the Commonwealth.

Where the PPA (in consultation with any secondary purchasing agencies) has determined that the best interests of the Commonwealth and its clients warrants continued contracting with the provider despite the deficiencies and where the provider is willing to deliver the terms of the corrective action plan and all additional contracting conditions set forth by EOHHS and the PPA, the provider may be Conditionally Qualified.

The length of time that the Conditional status is effective for is dependent on the PPA's determination and may be for a period of less than 12 months.

---

***Criteria:***

- All required prequalification submissions have been completed and reviewed. (See Provisional Qualification or Rejection/Termination in this chapter regarding incomplete submissions.)
  - The PPA's review has identified **serious deficiencies** that must be
-



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addressed and corrected in order for the provider to continue doing business with the Commonwealth and the deficiencies do not require Rejection/Termination (i.e., deficiencies do not involve a disclaimer or adverse audit opinion, going concern opinion for consecutive years with no evidence of significant improvement, State or Federal debarment, or ongoing tax noncompliance).

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Serious deficiencies include:

- circumstances raising significant doubt regarding the provider's ability, or
- willingness to fulfill its obligations to consumers, employees, other involved providers (e.g., sub-contractors, joint venture partners) and the Commonwealth for the current and/or next fiscal year.

Serious deficiency examples include:

- Significant negative working capital or negative net worth; identification of serious adverse financial trends; serious or repeated internal control or compliance findings;
  - failure to meet payroll or employee benefit obligations; serious or repeated violation of POS subcontract obligations;
  - major contingent liability issues (unlikely in the case of Massachusetts non-profit corporations due to statutory liability restrictions, but applicable in the case of for-profits and non-profits not incorporated in Massachusetts);
  - serious misconduct charges involving organizational principals; and
  - violations of governance or other provisions of the General Conditions.
- While providers typically resolve problems within one to three years through the Qualification with Corrective Measures process, where providers have failed to resolve longstanding problems or where doubt exists regarding the most appropriate category to use, the PPA should conservatively categorize providers as Conditionally Qualified, particularly where the level or POS involvement with the provider is high.
  - A Corrective Action Plan (CAP) covering all identified
-



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deficiencies has been submitted, reviewed and executed.

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***Limitations/Conditions:***

- Conditional Qualifications may be assigned by the PPA after consultation with any secondary purchasing agencies.
- Any written communications from the PPA to the provider regarding the prequalification process and status assignment must be copied to the Board of Directors and the provider's CPA, as well as to appropriate purchasing agency senior management and program staff.
- The PPA will be responsible for the tracking and monitoring of the provider and for communicating the ongoing activities with EOHHS and other purchasing agencies. The PPA must fulfill this role in a responsible manner, recognizing the sensitivity of Conditional Qualifications and the potential impact on the Commonwealth, other purchasing agencies and their clients.
- Providers which have been Conditionally Qualified may bid on Request for Responses (RFR) for the re-award of contracts which they currently hold unless specifically prohibited by the terms of their Conditional Qualification approval; however, any proposed contract awards or major amendments must be discussed in advance with the EOHHS Deputy POS Director, the PPA and any affected secondary purchasing agencies to ensure consistency with approved corrective action strategies and the interests of the Commonwealth and its consumers.
- Utilization increases which significantly expand the scope of existing services with these providers should be allowed only in those unusual situations where the increases will help resolve the issues causing the Conditional Qualification and effectively reduce the level of risk for the Commonwealth and its clients. Short term emergency procurement under 801 CMR 21.05(3) is exempt from this restriction.

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In addition to CAP requirements and the imposition of non-compliance penalties where warranted, the following standard Secretariat conditions apply and must be conveyed in writing to each provider at the time of

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**Conditional approval:**

- The provider must authorize its auditor to communicate freely with the Commonwealth regarding the results of the audit and the ongoing financial/organizational situation should the Commonwealth see a need to consult with the auditor.
- The provider must agree to provide prior notice to EOHHS purchasing agencies, through the PPA Prequalification Officer, of any intent to bid on POS services (including acceptance of non-competitive awards, expansion of "MSA/Open Order" procurement, or participation in subcontracting or consortium/joint venture arrangements). The proposed procurement must not entail significant expansion [see above].
- The provider must give prior notice to the PPA Prequalification Officer of any significant changes in circumstances bearing on its financial stability or ability to fulfill its contractual obligations. Such changes include, but are not limited to, pending bankruptcy filing, merger, consolidation, senior management changes or other business restructuring, termination of contracts, grants or other significant revenue streams, loss or reduction of credit lines, or failure to meet payroll or other essential payment obligations.
- EOHHS purchasing agency contracts with the provider shall be limited to durations which do not exceed the Conditional Qualification duration.

---

**Provisional Qualification**

The provider's qualification status is pending due to the provider's failure to complete one or more of the prequalification submission requirements and the provider is being afforded additional time to fulfill the requirements.

Provisional Qualification status and any Commonwealth contracts with the provider shall be for a period not to exceed three months. For Re-qualifying providers, the three month contract duration limit applies to the coming re-qualification contract year, rather than the current year.

Failure to complete submissions during the current year (e.g., missing CAP monitoring reports) are dealt with at the time the problem arises through the imposition of Non-filing & Non-compliance Penalties and, where warranted, by conversion to Conditional Qualification status or even, in extreme circumstances, contract termination pursuant to the TCHSS provisions.

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Given the mid-fiscal year timing of the re-qualification process, most submission problems are resolved through the current year Non-filing and Non-compliance Penalties process in time to re-qualify the provider Unconditionally, Conditionally, or with a Corrective Action Plan.

Provisional re-qualifications are most likely to be required in situations where a submission problem arises late in the year, as in the case of providers with UFR submissions due in May, or where the need for a CAP becomes evident late in the year and the CAP provisions and Board of Directors approval can not be finalized prior to re-contracting.

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***Limitations/Conditions:***

- The PPA must consult with EOHHS and any involved secondary purchasing agencies prior to granting any Provisional Qualification approval. Approval is entirely discretionary on the part of the PPA. Providers have no "right" to Provisional approval since the Commonwealth is essentially exercising forbearance in imposing otherwise applicable Rejection/Termination consequences.
- 

***Limitations/Conditions:***

- Approval conditions may be imposed by the PPA and/or the Secretariat.
  - If there is reason to believe that missing information (e.g., overdue audited financial statements) may provide a basis for Rejection/Termination (e.g., the provider received a going concern opinion in the prior year and the situation appears to be worsening), the provider should not be provisionally qualified.
  - Current year Non-filing & Non-compliance Penalties shall continue to be imposed during the provisional qualification period where applicable.
  - While existing contract arrangements may be renewed for the duration of the Provisional Qualification, new contract awards, re-awards, amendments involving service expansion, and expansion of Master Service Agreement utilization are, barring exceptional circumstances to be discussed in advance with the Secretariat and any other involved agencies, and prohibited until the provisional status is lifted.
-

**Rejected  
Qualification**

The provider is **NOT** considered qualified to do business with the Commonwealth.

***Criteria:***

- The provider failed to meet the established criteria for prequalification (e.g., an adverse or disclaimer audit opinion has been issued or a going concern opinion has been issued for consecutive years and there has not been any significant improvement in the organization's condition) and/or the provider fails to meet the majority of satisfactory financial condition criteria and problems are so severe and long standing that it is not in the best interests of the Commonwealth to do business with the provider.
- No provider may be pre-qualified and any existing qualification shall automatically terminate in the event of either Federal or State debarment or failure to immediately comply with record inspection/audit requirements of TCHSS section 7.

**Rejected  
Qualification*****Limitations/Conditions:***

- Qualification shall be rejected and any previous qualification approvals shall terminate.
- In the absence of any separate Debarment/Suspension process, the provider may reapply at any time for the purpose of responding to subsequent procurement solicitations.



## Chapter 7: Pre-qualifying New Providers

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### Overview

There is certain documentation required of new providers in order to be pre-qualified for FY2007.

If a Provider expects to receive less than \$500,000/year in revenues from all sources, and wants to claim exemption from filing a UFR, box 1a must be checked on the Contracting Qualification Form.

However, if an organization is subject to a Federal A-133 audit, and its expenditures of Federal funding (received from Commonwealth, federal, and/or non-Commonwealth pass-through entities) exceeded the \$500,000 A-133 audit threshold, this exemption cannot be claimed.

---

### New Provider Categories

New providers fall into one of two categories:

- Newly formed organizations without a financial history, and
  - Pre-existing organizations with a financial history which may be documented by tax, Attorney General/Public Charity Division or other filings (e.g., audits required for publicly traded corporations).
- 

### Newly Incorporated Organizations

Newly *incorporated* organizations with no financial history may fulfill the financial information requirement in one of two ways:

- A letter of credit or other evidence of the organization's ability to sufficiently fund at least two months of program operations (in lieu of the satisfactory financial condition standards included in the new provider qualification package) may be substituted, or
  - An accountant's examination report on a financial forecast, prepared in accordance with AICPA standards (see AICPA Professional Standards, AT Section 301, Financial Forecasts and Projections), and may be submitted.
- 

### Pre-existing Organizations

*Pre-existing* organizations with a financial history for which UFR submissions are not yet required shall be evaluated on the basis of non-UFR format audited financial statements or alternate information that is already required to be submitted to other governmental

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agencies.

Examples of Alternate Information:

- Division of Health Care Finance and Policy Filings,
- IRS 990 Filings,
- Public Charities Filings, or
- Review statements where audited statements are not already required by other governmental agencies and do not exist.

Additional Submission Items:

- Articles of Organization/Bylaws,
- Board/Principals Information - (Most recent Secretary of State Corporations Division Annual Report)
- Federal Employer Identification Number (FEIN) Documentation – (Required for Provider file set-up purposes), and
- Related Party Disclosure, Tax and Other Compliance Certification.

---

**Non-Incorporated Organizations**

References for organizations that have ***not incorporated*** can access information about organizing a non-profit corporation at the following websites:

The Secretary of the Commonwealth Corporations Division:

<http://www.sec.state.ma.us/sec/cor>

The Secretary of the Commonwealth Citizen Information Service:

<http://www.sec.state.ma.us/cis>

The Massachusetts Council of Human Service Providers, Inc.:

<http://www.providers.org/links./htm>

Organizing A Non-Profit Corporation brochure is also available through the Secretary of the Commonwealth Corporations Division.

**Note:** New Providers inquiring about a Request for Response for human and social services should be referred to these websites for assistance in incorporating and how to start a nonprofit organization.

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## Chapter 8: Reviewing Master Provider Qualification Status Report

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### Overview

Master Provider Qualification Status Report (MPQSR) contains historical audit information on the Purchase of Service providers to the Commonwealth of Massachusetts.

Its purpose is to consolidate and summarize the provider qualification statuses while giving the departments within EOHHS additional historical information about these providers.

This report provides supplementary information that should be considered during the provider qualification process.

If a provider files their UFR as an affiliate to a parent organization, a separate column has been added to the MPQSR so that all affiliate organizations can have the parent organization's EIN recorded in that column. The PPA should enter the parent organization's EIN in the MPQSP.

### Master Provider Qualification Status Report

The PQA will update the MPQSR with the Provider's latest qualification status and whether or not the provider requires an A-133 Audit. The PQA will e-mail a copy of the updated file to the EOHHS POS Program Integrity Unit on a **monthly** basis. The file will be forwarded to the following e-mail address for consolidation and summarization of all EOHHS agency responses:

EOHHS – [William.Gondella@state.ma.us](mailto:William.Gondella@state.ma.us)  
(617) 573-1689

The MPQSR includes four tabs within the workbook:

- Fourteen EOHHS Agencies and corresponding PPA tabs
- History1 lists all the providers
- Master not picked up by PPAs
- Fed Fields Name Descriptions



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***Fourteen EOHHS Agencies and corresponding tab included in the FY2007 provider qualification process:***

- Departments will use the drop-down list on each of these work sheets to record the provider's designated qualification status.
- The provider qualification analyst will also determine whether the audit they reviewed was a Federal A-133 audit.
- The work sheet contains a provider's FY06 qualification status as well as OSD and the Federal Clearinghouse information about the A-133 status.

---

***History1 lists all the providers that EOHHS is responsible for performing provider qualifications for the FY2007 contracting year:***

- It includes a provider's last four years designated qualification statuses.
- OSD A-133 information and the Federal A-133 information obtained from the Federal Clearinghouse database at <http://harvester.census.gov/sac/> are given here.
- The Federal Clearinghouse information is only for those Corporations that are organized in Massachusetts.

---

***Master not picked up by PPAs:***

This is a listing of past providers that no longer receive funding from the MO3 or MM3 activity codes and therefore not included in the departmental work sheets.

**Note:** This listing is included in case these providers contract with the state again at a later date.

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***Fed Fields Name Descriptions:***

This tab provides information on the Federal Clearinghouse data fields that are shown in the History1 work sheet. In it are phone numbers, email addresses, and information about the results of these audits.

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## Chapter 9: Recording Results of Review in PDM

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### Overview

PDM allows the Provider Qualification Staff to update provider qualification information, therefore reducing the amount of paperwork and input required from providers.

The Provider Qualification Analyst will access PDM to update the provider file, on an ongoing basis during the qualification process, to ensure that all relevant information regarding the provider is current.

**Note:** All fields can be audited by the POS Program Integrity Unit.

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### Updating Qualification data

Use the **Update Provider Qualifications** to update data about a POS Provider organization.

You can edit the following information:

- Provider Qualification
  - Corrective Measures based on Independent CPA Audit Findings
  - Corrective Measures based on Office of the State Auditor (OSA)
  - Corrective Measures based on EOHHS Financial Reviews
  - Surplus Revenue Retention (SRR) Summary
  - General Comments entered by EOHHS POS Provider Integrity Unit
- 

### Accessing the Update Provider Qualifications Page

To access the **Update Provider Qualifications** page from the **Agency Business Functions** page, click the **Qualification Detail** link located under the **Provider Qualification** bullet.

**Result:** *The Update Provider Qualifications page appears.*

---



## Update Provider Qualifications Page

The following is an example of the **Update Provider Qualifications** page.

Health and Human Services

Mass.gov

November 3, 2005

CONSUMERS PROVIDERS RESEARCHERS GOVERNMENT

[Mass.Gov Home](#) [State Agencies](#) [State Online Services](#)

Provider Data Management

- [Links to Related Information](#)
- [Search for a Provider](#)
- [Exit](#)

Help Desk and Training

- [User Manual](#)
- [FAQs](#)
- [PDM How-to-Demos](#)
- [Job Aids](#)
- [Phone Number](#)  
1-800-421-0938

[Business Functions > Update Qualifications](#)

Test Organization

Update Provider Qualifications

Provider Qualification

Principal Purchasing Agency: DPH

Qualification Status: ARA and CAP

Last Fiscal Year Reviewed: 2004

Date Qualification Status Last Updated: 11/02/2005

Date of Next Required Qualification Review: 11/15/2005

Comments:  
☐ Delete Submitted By: Qualifications Administrator 11/02/2005  
Comments: FY05 Review PS Required

Corrective Measures Based on Independent CPA Audit Findings

Auditor's Opinion: Qualified

Audit Resolution Agreement (ARA) Findings: Internal Control

ARA Corrective Action Status: Approved

ARA Corrective Action Due Date: 01/25/0013

Approval Date: 06/30/2005

Comments:  
☐ Delete Submitted By: John Doe 10/24/2005  
Comments: No Cost Allocation Plan

CAP Corrective Action Status: Approved

CAP Corrective Action Due Date: 06/20/2005

Approval Date: 06/30/2005

Comments:  
☐ Delete Submitted By: John Doe 10/24/2005  
Comments: Expenses Exceed Revenues



## Updating Provider Qualifications

Provider Qualification	
Principal Purchasing Agency:	DPH
Qualification Status:	Corrective Action Plan
Last Fiscal Year Reviewed:	2005
Date Qualification Status Last Updated:	02/02/2006
Date of Next Required Qualification Review:	11/15/2006 <small>MM/DD/YYYY</small>
Comments:	<div></div>

Follow these steps to update, enter new data for **Provider Qualification** information.

1. Click the **Principal Purchasing Agent** drop-down box to select the appropriate item from the list.
2. Click the **Qualification Status** drop-down box to select the appropriate item from the list.
3. Enter the **Last Fiscal Year Reviewed**.  
*Tip:* Use this year format (YYYY).
4. Enter **Date of Next Required Qualification Review** in the textbox.
5. Type comments in the **Comments** box.

**Note:** When the Principal Purchasing Agency or Qualification Status information is updated, the PDM Contact and the Agencies that are contracted with this provider will be notified by e-mail.



Corrective Measures Based on Independent CPA Audit Findings	
Auditor's Opinion:	Qualified
Audit Resolution Agreement (ARA) Findings:	Internal Control
ARA Corrective Action Status:	Approved
ARA Corrective Action Due Date:	01/25/2006 MM/DD/YYYY
Approval Date:	01/22/2006 MM/DD/YYYY
Comments:	
<input type="checkbox"/> Delete	Submitted By: Paul Lewandowski 02/06/2006
Comments: No Cost Allocation Plan	
<div></div>	

Follow these steps to update, enter new data for **Corrective Measures Based on Independent CPA Audit Findings** information.

1. Click the **Auditor's Opinion** drop-down box to select the appropriate item from the list.
2. Click the **Audit Resolution Agreement (ARA) Findings** drop-down box to select the appropriate item from the list.
3. Click the **ARA Corrective Action Status** drop-down box to select the appropriate item from the list.
4. Enter **ARA Corrective Action Due Date** in the textbox.
5. Enter **Approval Date** in the textbox.
6. Type comments in the **Comments** box.

*Continued on following page.*



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CAP Corrective Action Status:	Approved	▼
CAP Corrective Action Due Date:	01/25/2006	MM/DD/YYYY
Approval Date:	01/22/2006	MM/DD/YYYY
Comments:		
<input type="checkbox"/> Delete	Submitted By: Paul Lewandowski	02/06/2006
Comments: Current Ratio = .72 Operating Margin = (6.5)%		
<div></div>		

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7. Click the **CAP Corrective Action Status** drop-down box to select the appropriate item from the list.
  8. Enter the **CAP Corrective Action Due Date** in the textbox.
  9. Enter **CAP Approval Date** in the textbox.
  10. Type comments in the **CAP Comments** box.
-



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Corrective Measures Based on Office of the State Auditor(OSA)	
Audit Resolution Agreement (ARA) Findings:	Internal Control
ARA Corrective Action Status:	Approved
ARA Corrective Action Due Date:	07/25/2005 MM/DD/YYYY
Approval Date:	07/30/2005 MM/DD/YYYY
Comments:	
<input type="checkbox"/> Delete Submitted By: Paul Lewandowski 02/06/2006	
Comments: \$35,000 in Disallowed Program Costs. Audit Resolution Repayment Agreement date 7/15/2005. \$10,000 paid on 7/15/2005, balance paid \$1,000 per month for 25 months.	
<div></div>	

Follow these steps to update, enter new data for **Corrective Measures Based on Office of the State Auditor (OSA)** information.

1. Click the **Audit Resolution Agreement (ARA) Findings** drop-down box to select the appropriate item from the list.
  2. Click the **ARA Corrective Action Status** drop-down box to select the appropriate item from the list.
  3. Enter the **Corrective Action Due Date** in the textbox.
  4. Enter the **Approval Date** in the textbox.
  5. Type comments in the **ARA Comments** box.
-



**Corrective Measures Based on EOHHS Financial Reviews**

Audit Resolution Agreement (ARA) Findings:

Internal Control

ARA Corrective Action Status:

Approved

ARA Corrective Action Due Date:

08/24/2005

MM/DD/YYYY

Approval Date:

09/02/2005

MM/DD/YYYY

Comments:

☐ Delete

Submitted By: Paul Lewandowski

02/06/2006

Comments: Undocumented payroll billings of \$15,500.

Follow these steps to update, enter new data for **Corrective Measures Based on EOHHS Financial Reviews** information.

1. Click the **Audit Resolution Agreement (ARA) Findings** drop-down box to select the appropriate item from the list.
2. Click the **ARA Corrective Action Status** drop-down box to select the appropriate item from the list.
3. Enter the **Corrective Action Due Date** in the textbox.
4. Enter the **Approval Date** in the textbox.
5. Type comments in the **ARA Comments** box.



Surplus Revenue Retention (SRR) Summary		FYE: N/A
Liability Based on Annual SRR 5% Limit: N/A		
Liability Based on Cumulative SRR Policy 20% Rule: N/A		
Date of Agency/Provider Agreement:	<input type="text"/>	MM/DD/YYYY
Comments:		
<div><div></div><div></div></div>		

**Tip:** Information pre-populates directly from OSD UFR database.

Follow these steps to update, enter new data for **Surplus Revenue Retention Summary (SRR)** information.





1. Enter the **Date of Agency/Provider Agreement** in the textbox.
2. Type comments in the **SRR Comments** box.

General Comments Entered by EOHS Provider Qualification Unit
Comments:
<div><div></div><div></div></div>

Type **General Comments** in the textbox.



Once the data is updated you can do one of the following:

If you...	Then...
Click the <b>Clear</b> button.	The modified information is cleared out and the fields are repopulated back to the data that was last saved.
Click the <b>Delete</b> check box.	<p>Any comments entered are set for deletion.</p> <p>Click the <b>Submit</b> button. </p> <p><b>Result:</b> A Confirmation page appears.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>Click Confirm to save all changes. Once this form is saved, it will become immediately viewable in PDM to all users.</p> </div> <p style="text-align: center;"> </p> <p>Click the <b>Confirm</b> button. </p> <p><b>Result:</b> The comments are removed from the PDM database and you are redirected to the <b>Provider Qualification Detail</b> page to view what you have just deleted.</p>
Click the <b>Submit</b> button.	<p>A <b>Confirmation</b> page appears.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>Click Confirm to save all changes. Once this form is saved, it will become immediately viewable in PDM to all users.</p> </div>
Click the <b>Confirm</b> button.	Any data that has been entered is saved, updated and viewable information in PDM and you are redirected to the <b>Provider Qualification Detail</b> page to view the updated data.
Click the <b>Cancel</b> button.	<p>You are returned to the <b>Update Provider Qualification</b> page.</p> <p><b>Result:</b> The changes display on the page. No data has been saved and is not available to view.</p>





## Chapter 10: Documentation & Correspondence

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### Introduction

Due to the importance of consistent, equitable application across EOHHS Principal Purchasing Agencies (PPA), the standardized qualification letters and department sanction letters should be used by all PPAs.

Note the distribution directions appearing at the bottom of the various letters. It is imperative that all EOHHS agencies effectively communicate the qualification status not only within the departments Provider Qualification Units but also share the information with affected program managers and contract managers within your agency and other agencies throughout the Secretariat.

Your role in pre-qualifying providers is one of representing your fellow departments and the Secretariat as a whole.

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### Overview

This chapter contains various documentation and correspondence required during the Provider Qualification process:

- Independent Auditor's Reports (opinion letters)
  - Exceptions/Exemptions to filing UFR
  - Qualification Letters
    - Limited
    - Unconditional
  - CAP Letters
    - Preliminary
    - Final
  - Attachments to CAP
    - Summary of Findings and Questioned Costs
    - Audit Resolution Repayment Agreement
  - CAP Monitoring Log
  - Surplus Revenue Retention Letter
  - Sanction letters
-



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- OSD Notice to Provider for failure to file UFR
  - Sanction Letter from OSD to Provider and respective Agencies
  - Sanction Release Letter from OSD to Provider and respective Agencies
  - Sanction Letter from PQA to Agency Accounting and Program Managers
  - Sanction Release Letter from PQA to Agency Accounting and Program Managers
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**Independent  
Auditor's  
Report –  
Opinion Letter  
Examples**

***Unqualified Opinion Letter:***

**Certified Public Accounts Name**  
Certified Public Accountants  
*Street Address*  
*City, State, Zip Code*  
**Tel:** (xxx)xxx-xxxx **Fax:** (xxx)xxx-xxxx

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
XYZ Corporation  
City, State

We have audited the accompanying consolidated statement of financial position of XYZ Corporation, Inc. and Subsidiary (a nonprofit corporation) (collectively, the Organization) as of June 30, 2004, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2003 consolidated financial statements and, in our report dated November 13, 2004; we express an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by

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management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of XYZ Corporation, Inc. and Subsidiary as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2004 on our consideration of XYZ Corporation, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplementary information included in program supplemental information schedule A and B and its related attachment is presented solely for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is a representation of the Organization's management and has not been subject to the auditing procedures applied in the audit of the basic consolidated financial statements. Accordingly we do not express an opinion or any other form of assurance concerning whether it is fairly stated in relation to the basis consolidated financial statement taken as a whole.

Company Name  
Certified Public Accountants

Boston, Massachusetts  
Date

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***Qualified Opinion Letter:*****QUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY SUPPLEMENTARY INFORMATION****INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
XYZ Corporation  
Street Address  
City, State, Zip Code

We have audited the accompanying statement of financial position of XYZ Corporation (not-for-profit organization) as of June 30 2005 and the related statements of activities and functional expenses and the statement of cash flows for the year then ended. These financial statements are the responsibility of the management of XYZ Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of The United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 5 to the financial statements, certain improvements to and replacements of property and equipment have been charged to expense in the accompanying financial statements. Also, only certain expenditures, as required by grantor agencies, have been capitalized. In our opinion, all capital expenditures should be capitalized and depreciated over their estimated useful lives to conform to accounting principles generally accepted in the United States. The effects on the financial statements of the preceding practices are not reasonably determinable.

In our opinion, except for the effects of the matters in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the XYZ Corporation as of June 30, 2005 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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***Going Concern:***

*Independent Auditors' Report  
on the Financial Statements*

To the Board of Directors  
XYZ Corporation  
Street Address  
City, State, Zip Code

We have audited the accompanying statements of financial position of XYZ Corporation (a nonprofit organization) as of September 30, 2005 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the XYZ Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the XYZ Corporation as of September 30, 2005 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 6 and 7 to the financial statements, the Organization has incurred losses due to employee misappropriation and expenditures for unallowable and questioned costs. Additionally, we have listed and identified a significant number of material weaknesses and reportable conditions in the systems of internal control. These concerns raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2006, on our consideration of XYZ Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing standards and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements of XYZ Corporation taken as a whole. The accompanying supplemental Schedules A and B are presented solely for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the misrepresentation of XYZ Corporation's management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on it.

February 10, 2006

Boston, Massachusetts



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### ***Adverse Opinion Letter:***

*[Same first and second paragraphs as the standard report]*

As discussed in Note X to the financial statements, the Company carries its property, plant, and equipment accounts at appraisal values, and provides depreciation on the basis of such values. Further, the Company does not provide for income taxes for differences between financial income and taxable income arising because of the use, for income tax purposes, of the installment method of reporting gross profit from certain type of sales. Accounting principles generally accepted in the United States of America require that property, plant, and equipment be stated at an amount not in excess of cost, reduced by depreciation based on such amount, and that deferred income taxes be provided.

Because of the departures from accounting principles generally accepted in the United States of America identified above, as of December 31, 20X2 and 20X1, inventories have been increased \$\_\_\_\_\_ and \$\_\_\_\_\_ by inclusion in manufacturing overhead of depreciation in excess of that based on cost; property, plant, and equipment, less accumulated depreciation, is carried at \$\_\_\_\_\_ and \$\_\_\_\_\_ in excess of an amount based on the cost to the Company; deferred income taxes of \$\_\_\_\_\_ and \$\_\_\_\_\_ have not been recorded; resulting in an increase of \$\_\_\_\_\_ and \$\_\_\_\_\_ in retained earnings and in appraisal surplus of \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively. For the years ended December 31, 20X2 and 20X1, cost of goods sold has been increased \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively, because of the effects of the depreciation accounting referred to above and deferred income taxes of \$\_\_\_\_\_ and \$\_\_\_\_\_ have not been provided, resulting in an increase in net income of \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of X Company as of December 31, 20X2 and 20X1, or the results of its operations or its cash flows for the years then ended.

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### ***Compilation Letter:***

#### **Standard Report: Compilation of Forecast (does not contain a range)**

We have compiled the accompanying forecasted balance sheet, statements of income, retained earnings, and cash flows of XYZ Company as of December 31, 2005, and for the year then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast, and, accordingly, do not express an opinion or any other form of

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assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events, and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*[Signature]*

*[Date]*

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***Disclaimer of Opinion Letter:***

**Auditor's Report: Disclaimer of Opinion**

We were engaged to audit the accompanying balance sheets of X Company as of December 31, 20X2 and 20X1, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management.

*[Second paragraph of standard report should be omitted]*

The Company did not make a count of its physical inventory in 20X2 or 20X1, stated in the accompanying financial statements at \$\_\_\_\_\_ as of December 31, 202X, and at \$\_\_\_\_\_ as of December 31, 20X1. Further, evidence supporting the cost of property and equipment acquired prior to December 31, 20X1, is no longer available. The Company's records and circumstances do not permit the application of other auditing procedures to inventories or property and equipment.

Since the Company did not take physical inventories and we were not able to apply other auditing procedures to satisfy ourselves as to inventory quantities and the cost of property and equipment, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

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***Review Letter:***

Company Name  
Certified Public Accountant  
Street Address  
City, State, Zip Code  
Tel: (xxx) xxx-xxxx  
Fax: (xxx) xxx-xxxx

**ACCOUNTANTS REVIEW REPORT**

We have reviewed the accompanying statement of financial position of XYZ Corporation (a non-profit organization) as of June 30, 2004 and the related statements of activities, functional expenses, and cash flow for the year then ended in accordance with Statements on Standard for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The supplementary information included in Schedules A and B is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the representation of XYZ Corporation management and has not been subjected to the inquiries and procedures applied in the review of the basic financial statements, and accordingly, we do not express an opinion on it.

Date

Company Name  
Certified Public Accountants

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**Exceptions/  
Exemptions to  
filing UFR**

**Source:** Excerpt from OSD UFR Audit and Preparation Manual

**Exceptions/Exemptions :**

Your organization may be relieved of some or all of the filing requirements. Requests for an exception or exemption may be submitted via the UFR eFiling application. The following exceptions and exemptions are available:

(Note that certain of these exemptions as numbered below may not be available in future years.)

**Special Notification:** Filers of the Uniform Financial Statements and Independent Auditor's Report **must** meet all other federal and state governmental reporting and filing requirements and deadlines, including those of the Attorney General's Public Charities Division.

The federal single audit provisions of OMB Circular A-133, as noted throughout this document, apply to all of the exceptions and exemptions noted below.

*The provisions noted below also apply to Subcontractors that furnish social services to Contractors of the Commonwealth or to their Subcontractors as defined in the Who Must File section of these instructions.*

**2. Nonprofit Organizations with Very Limited Revenues and**

**Support:** If your agency is not a Chapter 766 school, and the agency had gross revenues less than \$100,000 from all sources during your organization's reporting year.

**Reference:** See exempt filing #2a, #2b and #2c for documentation options in the Exceptions/Exemptions Documentation Requirements Matrix.

**3. Small Nonprofit Organizations:** If during your *nonprofit* organization's reporting year your agency had *gross revenues sources equal to or greater than \$100,000 but less than \$500,000\* from all.*

**Reference:** See exempt filing #3 for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

This provision does not apply to "for-profit" business enterprises.

**\*Note:** Revised audit threshold effective for contractors with Fiscal Years Ending 12/31/2004, or later.



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4. **Governmental Agencies:** If your organization is a governmental agency, city, town municipality, local education authority, or regional school district it is exempt from filing the UFR.

Other government organizations including, committees, education collaboratives, public entities or quasi-government agencies that are not considered agencies of the Commonwealth that do not qualify for other exemptions and exceptions and are **not** required to file financial statements audited in accordance with GAGAS and OMB Circular A-133 with the Bureau of Accounts (of the Division of Local Services) in the Commonwealth's Department of Revenue (DOR) **do not** qualify for this exemption as a government agency.

**Reference:** See exempt filing #4 and #4a for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

5. **Business Enterprise:** If your organization (corporation, company, partnership, limited liability company, proprietorship etc.) is a *taxable "for-profit" commercial entity that had gross revenues in excess of \$100,000 from all sources or a for profit Contractor with gross revenues less than \$100,000* from all sources during your organization's reporting year.

**Reference:** See exempt filing #5 and #5a for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

**Note:** The basic financial statements of the UFR must not be utilized by for-profit entities.

6. **Foreign Nonprofit Organizations and Business Enterprises:** If your organization *only operates programs outside Massachusetts* and does not serve Massachusetts Chapter 766 clients, and the total number of Massachusetts clients in each program is less than twenty-five percent (25%) of that program's annual capacity, your organization is not required to file this Report. A completed UFR cover page must be submitted as evidence of exemption.

**Reference:** See exempt filing #6 for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

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7. **Chapter 766 Approved Schools:** The following exemptions and exceptions apply only to Chapter 766 approved schools:
- A. If your organization is operating only a Chapter 766 approved school outside of the Commonwealth and the Commonwealth-funded students represent **fewer** than twenty-five percent (25%) of your total school enrollment as noted above, your organization is not required to file this Report.
  - B. Certain exceptions apply if your organization is operating only a Chapter 766 approved school outside of the Commonwealth and Commonwealth-funded students represent **over** twenty-five percent (25%) of your total enrollment as noted above.

**Reference:** See exempt filing #7 and #7a for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

8. **Division of Health Care Finance and Policy Filers:** If your organization is not a Chapter 766 school and is required to *file a Cost Report with the Division of Health Care Finance and Policy this year* which encompasses total organizational expenses, as noted above, your organization is exempt from filing the UFR. Qualifying Division of Health Care Finance and Policy Cost Reports include the following:
- A. Home Health Agencies Cost Report.
  - B. DHCFP – 403A (ICFMR)
  - C. Adult Day Health Cost Report – Exemption applies only to stand-alone programs or for programs that are carried out by multi-service centers not furnishing services listed in the “Special Instructions for Fiscal Year 2005 filing from The Division of Health Care Finance and Policy (DHCFP)” However, this exemption is not available to entities meeting the above requirements if the organization receives funding through purchase of service contracts.

**Note:** This exemption is not available to Contractors that operated a psychiatric day treatment program or an outpatient mental health clinic. For example, a contractor does not qualify for this exemption if it operated an Adult Day Health program filed the Adult Day Health Cost Report with DHCFP, and also operated an outpatient mental health center.

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**Reference:** See exempt filing #8 for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix. Hospitals should follow the guidance contained in the Alternate Filing Provisions of these instructions and the documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix for Hospitals and Universities.

9. **Limited Commonwealth Funding:** The following exemption applies to all Contractors, including Chapter 766 approved schools: *If during your organization's reporting year the revenues received directly or indirectly (subcontracting) from the Commonwealth (including Chapter 766 revenues from cities and towns) for social service programs was less than \$100,000 your organization is exempt from filing this report.* **Reference:** See exempt filing #9a, #9b, #9c, #9d, and #9e for various documentation options in the Exceptions/Exemptions Documentation Requirements Matrix.

10. **Area Agencies on Aging:** The UFR is not required to be filed for fiscal years ending at anytime during calendar year 2005 if your organization qualifies for exemption number 9 (EOEA Federal pass-through funds excluded) and is an area agency on aging but not a. Aging Services Access Point (ASAP).

**Homemaker Organizations:** That do not provide social services directly to the Executive Office of Elder Affairs (EOEA) but rather through a subcontract with Aging Services Access Points (ASAPs) are required to file the UFR this year consistent with the filing requirements contained in these instructions for social service Contractors. Homemaker organizations that provide social services directly to or through subcontract to departments of the Commonwealth (through MO3, and MM3 object codes) should observe the UFR filing requirements contained in these instructions for social service Contractors. **Reference:** See exempt filing #10a and #10b for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

11. **National Nonprofit and For-Profit Chapters, Affiliates or Subsidiaries:** Certain exceptions apply to entities that are controlled and have interlocking operations and finances with national entities that operate in 39 states or more. **Reference:** See exempt filing the guidance furnished in Consolidated and Combined Financial Statements Section of these instructions and
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exempt filing #11 for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

12. ***State and Regional Nonprofit and For-Profit Chapters, Affiliates or Subsidiaries: Contractors (other than chapters or affiliates of national entities as noted above in 11):*** Certain exceptions apply to entities that operate in less than 39 states, which are affiliated and controlled or control other entities. An unaudited schedule of eliminations must be filed as part of the UFR under same cover that discloses all transactions that are eliminated in the preparation of the consolidated financial statements. The disclosure of the eliminated transactions must identify the following:

4. A description of the transactions eliminated, and other transactions to which no amounts or nominal amounts were ascribed, and such other information that is necessary to gain an understanding of the effects of the transactions that have been eliminated.
5. The dollar amount of the transactions eliminated.
6. Amounts due from or to the affiliate that have been eliminated and the terms and manner of settlement.

The UFR must be utilized for filing of consolidated basic financial statements in accordance with GAAP by all filers, except as noted above in 11, and for for-profit entities.

The Contractor may file consolidated financial statements using the guidance noted above, if the other entities that your agency controls, or is controlled by, does not hold a similar tax status. Consolidated financial statements must be filed if all of the other entities that your agency controls, or is controlled by, hold a similar tax status (exempt-nonprofit or for-profit) and are organized for the same or similar purposes and if any of the following conditions exist:

- A. Your agency joins with any other entity in the registration or annual filing with any regulatory body or the Internal Revenue Service;
  - B. Your agency is not independently controlled by its own elected board or if there is a requirement for expenses to be approved by other entities;
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- C. Expenses of your organization are arbitrarily paid by other entities and excluded from your accounts, or expenses of other organizations are arbitrarily paid by your organization and excluded from the other entity's accounts.

**Reference:** See exempt filing the guidance furnished in Consolidated and Combined Financial Statements Section of these instructions and exempt filing #12 for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

13. **Merger and Change in Fiscal Year:** If your organization's fiscal year has changed during this filing period (this exemption should be used for changes in an organization's fiscal year because of a merger with another organization), your organization is exempt from certain UFR filing requirements. However merging entities may not utilize the accounting concept known as a "pooling of interests," as described in APB Opinion No. 16, Business Combinations for UFR Filing Purposes. The existence of certain regulatory and contractual provisions, including the Not-for-Profit Contractor Surplus Revenue Retention Policy, Pricing for M.G.L. c. 71B Approved Private School Programs, cost reimbursement contract provisions, non-reimbursable cost and offsetting income provisions, do not permit the Commonwealth to accept financial statements as noted in the preceding sentence as part of the UFR filing. Organizations that have merged may find it necessary to prepare their financial statements that are filed as part of the UFR on a prescribed basis. Organizations that have merged during this filing period should also review the provisions of exception/exemption number 14 noted below.

**Reference:** See Notification of Mergers and Other Organizational Changes section of these instructions and the exempt filing guidance furnished in Consolidated and Combined Financial Statements Section of these instructions and exempt filing #13 for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

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14. ***Merger and Change in Fiscal Year:*** If your organization's fiscal year has changed during this filing period (this exemption should be used for changes in an organization's fiscal year because of a merger with another organization), your organization is exempt from certain UFR filing requirements. However merging entities may not utilize the accounting concept known as a "pooling of interests," as described in APB Opinion No. 16, Business Combinations for UFR Filing Purposes. The existence of certain regulatory and contractual provisions, including the Not-for-Profit Contractor Surplus Revenue Retention Policy, Pricing for M.G.L. c. 71B Approved Private School Programs, cost reimbursement contract provisions, non-reimbursable cost and offsetting income provisions, do not permit the Commonwealth to accept financial statements as noted in the preceding sentence as part of the UFR filing. Organizations that have merged may find it necessary to prepare their financial statements that are filed as part of the UFR on a prescribed basis. Organizations that have merged during this filing period should also review the provisions of exception/exemption number 14 noted below.
- Reference:*** See Notification of Mergers and Other Organizational Changes section of these instructions and the exempt filing guidance furnished in Consolidated and Combined Financial Statements Section of these instructions and exempt filing #13 for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.
15. ***Partial Year Filing:*** If this is your organization's first year of contracting with the Commonwealth, and a full fiscal year of financial activity has not occurred during this filing period, or if your organization has terminated its contracts with the Commonwealth and a full fiscal year of financial activity has not occurred during this filing period (organizations that have merged with another entity during the filing period should also review exception/exemption number 13 noted above), your organization is exempt from certain UFR filing requirements. For periods in excess of five months in which your organization held contracts with the Commonwealth or was a Chapter 766 approved School and received in excess of \$250,000 in revenue and support from all sources, the Contractor should follow the appropriate guidance
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found in provisions 2 through 12 of this section.

**Reference:** See exempt filing #14 for documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix.

16. **Colleges, Universities, Hospitals:** See the guidance contained in the Alternate Filing Provisions of these instructions and the documentation requirements in the Exceptions/Exemptions Documentation Requirements Matrix for Hospitals and Universities.

**Note:** Colleges, Universities and Hospitals that are subject to the provisions of OMB Circular A-133 must submit via the UFR eFiling application a properly completed *Uniform Financial Statements and Independent Auditor's Report* or exemption documentation on or before nine months after the end of the Contractor's Fiscal Year.

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**Exceptions/  
Exemption  
Document  
Requirements  
Matrix**

*Review Exceptions/Exemptions in previous pages for appropriate  
Exception/Exemption Criteria:*

Transaction Type	Sub Category	Cover Page	OMB Expenditure and Federal Funds Listing Letter	Auditor's Report on Internal Controls Compliance	Audited Financial Statements (UFR Format)	Reviewed Financial Statements (UFR Format)	OMB A-133	Board Acknowledgment Letter	Auditor's Checklist & Certification Form	Other 2 (Please specify)	AG PC Form	IRS Tax Return
UFR Filing	-	X	X	X	X	X	X	X	X			
Exempt Filing #2a	Nonprofit Organizations with Very Limited Revenues and Support	X	X	X	X	X	X	X	X			
Exempt Filing #2b	Nonprofit Organizations with Very Limited Revenues and Support	X	X	X	X	X	X	X	X			
Exempt Filing #2c	Nonprofit Organizations with Very Limited Revenues and Support	X	X	X	X	X	X	X	X			
Exempt Filing #3	Small Nonprofit Organizations <\$100K - \$500K***	X	X	X	X	X	X	X	X			
Exempt Filing #4	Governmental Agencies	X	X	X	X	X	X	X	X			
Exempt Filing #4a	Governmental Agencies Non-DOR Filer	X	X	X	X	X	X	X	X			
Exempt Filing #5	Business Enterprise (for-profit) > \$100K	X	X	X	X	X	X	X	X			
Exempt Filing #5a	Business Enterprise< \$100 in Gross Revenue	X	X	X	X	X	X	X	X			
Exempt Filing #6	Foreign Nonprofit Organizations and Business Enterprises	X	X	X	X	X	X	X	X			
Exempt Filing #7a	Chapter 766 Approved Schools-A, <25% MA Students	X	X	X	X	X	X	X	X			
Exempt Filing #7b	Chapter 766 Approved Schools-B, >25% MA Students	X	X	X	X	X	X	X	X			
Exempt Filing #8	Division of Health Care and Finance Policy Filers	X	X	X	X	X	X	X	X			
Exempt Filing #9a	Limited Commonwealth Funding <\$100K in Commonwealth Revenue	X	X	X	X	X	X	X	X			
Exempt Filing #9b	Limited Commonwealth Funding <\$100K in Commonwealth Revenue	X	X	X	X	X	X	X	X			
Exempt Filing #9c	Limited Commonwealth Funding <\$100K in Commonwealth Revenue	X	X	X	X	X	X	X	X			
Exempt Filing #9d	Limited Commonwealth Funding <\$100K in Commonwealth Revenue	X	X	X	X	X	X	X	X			
Exempt Filing #9e	Limited Commonwealth Funding <\$100K in Commonwealth Revenue	X	X	X	X	X	X	X	X			
Exempt Filing #10a	Area Agencies on Aging, if #9 applies and not ASAP	X	X	X	X	X	X	X	X			
Exempt Filing #10b	Area Agencies on Aging, if #9 applies and not ASAP	X	X	X	X	X	X	X	X			
Exempt Filing #11	National Nonprofit and For-Profit Chapters, Affiliates or Subsidiaries	X	X	X	X	X	X	X	X			
Exempt Filing #12	State and Regional Nonprofit and For-Profit Chapters, Affiliates or Subsidiaries	X	X	X	X	X	X	X	X			
Exempt Filing #13	Merger and Change in Fiscal Year - < 5 months operation < 250K Gross Revenue	X	X	X	X	X	X	X	X			
Exempt Filing #14	Partial Year Filing < 5 months operation, <\$250K Gross Revenue	X	X	X	X	X	X	X	X			
Alternative Filing	Hospitals and Universities	X	X	X	X	X	X	X	X			

**Key:**  
\*: Only required if contractor subject to OMB A-133 based on level of Federal Funds provided.  
\*\*: Required if Management Letter identified in Auditor's Report(s) on Internal Controls & Compliance.  
\*\*\*: Revised Audit Threshold effective for Fiscal Years ending on 12/31/2004 or after.  
Xa: certification page from HCFF Cost Report  
Xb: Under this exemption Form PC or Tax Return suitable alternative documentation for exemption.  
Xc: Schedule of Eliminating Entries  
Xd: stub period filers (<5months with <\$250K gross revenue) can substitute reviewed financial statements  
Xe: Written request for prior approval



**Qualification  
Letters**

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***Limited Qualification Letter:***

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Date:

Name of the Contact Person (Executive Director, CFO)

Organization Name:

Street Address:

City, State, Zip Code:

Dear Mr. / Ms. \_\_\_\_\_:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be granted a **Limited Qualification** status for the 2007 fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Please contact \_\_\_\_\_ at \_\_\_\_\_ or \_\_\_\_\_  
e-mail address at \_\_\_\_\_ if you have any questions regarding this  
qualification status.

Thank you for your time and cooperation during this requalification process.

Sincerely,

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***Unconditional Qualification Letter:***

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Date:

Name of the Contact Person (Executive Director, CFO)  
Organization Name  
Street Address  
City, State, Zip Code

Dear Mr. / Ms. \_\_\_\_\_:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be granted an **Unconditional Qualification** status for the 2007 fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Please contact \_\_\_\_\_ at \_\_\_\_\_ or \_\_\_\_\_  
e-mail address at \_\_\_\_\_ if you have any questions regarding this  
qualification status.

Thank you for your time and cooperation during this requalification process.

Sincerely,

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## CAP Letters

This is an example of a *preliminary* CAP letter from the PPA to the provider alerting them that a CAP will be required as part of the qualification process.

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Date:

Name of Contact Person, (Executive Director, CFO)

Name of Organization:

Street Address of the Organization:

City, State, Zip Code:

Dear Mr. / Ms. \_\_\_\_\_ :

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and has determined that execution of a Corrective Action Plan is required for the following reason(s).

[Statement of Problem – If a draft document has already been submitted but was inadequate for some reason, the above language should be rephrased as needed].

The development of an appropriate Corrective Action Plan is the responsibility of the provider since it should reflect the organization's own strategy for addressing identified issues. However, the terms of the final agreement must be approved by the Principal Purchasing Agency (PPA). EOHHS policy also requires that the CAP be signed by the Authorized Signatory for your organization and that it include a statement confirming that it has been reviewed and approved by the organization's Board of Directors. We suggest that, in order to avoid possible confusion or delay, you contact us with proposed corrective measures and language **prior** to seeking Board approval.

Enclosed for your convenience is a preliminary Corrective Action Plan that was prepared by the Department based on our review of the Schedule of Findings and Questioned Costs prepared by your Audit Firm and the comparison of your financial assessment measures against those thresholds established by the EOHHS.

**It is essential that the CAP be finalized within 45 days of the postmark of this letter so that this agency can certify your organization's eligibility to engage in FY2007 procurement activities with EOHHS agencies.**

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Since the timely document preparation and submission is also a key element of the current year contracting requirements, procurement policy also provides for current contract year procurement restrictions and penalties as follows:

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Unless the above described matters are corrected to the satisfaction of the [Name of Department] within 45 calendar days of the postmark of this letter, the [Name of Department] and all other EOHHS purchasing agencies contracting with your organization for human and social services shall take the following action effective on or after the expiration of the 30 day period:

1. Your organization will be ineligible to bid for or receive contract awards or increases for procurement covered by the Commonwealth's Terms and Conditions for Human and Social Services until the matter is satisfactorily corrected.
2. Pursuant to Section 2 of the Terms and Conditions for Human and Social Services and 808 CMR 1.04 (3) & (11), payment(s) will be delayed until the matter is satisfactorily corrected or such other action is taken in accordance with the Terms and Conditions for Human and Social Services or applicable regulations.

Commencement of this action will not prejudice the rights of the Commonwealth to terminate any of its agreements with your agency without cause, or for any other reason specified in the Terms and Conditions for Human and Social Services.

Please contact \_\_\_\_\_ at \_\_\_\_\_ or \_\_\_\_\_ e-mail address at \_\_\_\_\_ immediately if you have any questions regarding either this letter or the Corrective Action Plan requirements.

Sincerely,

**[This letter should be signed by an authorized signatory for the PPA]**

Cc: PPA Program Manager

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This is an example of a *final* CAP letter from the PPA to the provider alerting them of their annual qualification status.

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Date:

Name of the Contact Person (Executive Director, CFO)  
Organization Name  
Street Address  
City, State, Zip Code

Dear Mr. / Ms. \_\_\_\_\_:

The [Name of Department] as your designated Executive Office of Health and Human Services Principal Purchasing Agency (PPA), has reviewed your contracting qualification status and determined that your organization be **Qualified with a Corrective Action Plan (CAP)** for the 2007 fiscal year. This qualification status should be used by your organization for the purpose of entering into human and social services contracts with the Commonwealth.

Please note that this status may be rescinded at any time if evidence emerges that calls this status into question.

Enclosed is a copy of your fiscal year 2007 Corrective Action Plan signed by both your Agency's authorized signatory and by a representative of this Department.

Please review the corrective measures, and the applicable time frames for completion, in order to remain in compliance with the CAP.

Please contact \_\_\_\_\_ at \_\_\_\_\_ or \_\_\_\_\_  
e-mail address at \_\_\_\_\_ if you have any questions regarding this qualification status.

Thank you for your time and cooperation during this requalification process.

Sincerely,

**[This letter should be signed by an authorized signatory for the PPA]**

Cc: PPA Program Manager

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**Attachments to  
CAP**

The following examples will be covered in this section:

- Summary of Findings and Questioned Costs
  - Audit Resolution Repayment Agreement
- 

**Summary of  
Findings and  
Questioned  
Costs****Statement of Condition – 04-1**

*Financial Information* reported in Part II of HUD-40118, *Annual Progress Report*, for the grant period February 1, 2003 through January 31, 2004 (grant # MA01B911002) did not reconcile with amounts recorded in the Organizations general ledger. The Organization reported expenditures representing the difference between previously reported expenditures and aggregate expenditures from the grant's inception.

**Criteria**

Supportive Housing Program grants with HUD require a form HUD-40118, *Annual Progress Report* be filed 90 days after the end of each operating year. The financial information appearing in Part II of the report is to represent expenditures for that operating year.

**Effect of Condition**

HUD is not accurately informed about expenditures made during the operating year reported on.

**Cause of Condition**

In prior operating years of the grant the Organization used an incorrect percentage to determine eligible operation costs which resulted in a under billing. Consequently when a reconciliation of total grant expenditures was compared to reported grant expenditures a variance was discovered which was reported during the current year by adding the variance to the current year expenditures in order to correct the aggregate grant expenditures reported to actual.

**Recommendation**

The Organization should review its grant agreement annually to determine if the percentages used to determine eligible expenditures have change.

**Organization's Response/Corrective Action**

The Organization acknowledges the auditor's finding. It has taken

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corrective action implementing the auditor's recommendation.

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**Audit  
Resolution  
Repayment  
Agreement**

An Audit Resolution Repayment Agreement is a repayment agreement between the PPA and Provider that stipulates how disallowed costs will be reimbursed to the PPA as a result of an audit.

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**AUDIT RESOLUTION REPAYMENT AGREEMENT**

This Repayment Agreement is entered into by the Commonwealth of Massachusetts, Department of Transitional Assistance (Department) and XYZ Corporation, Inc. in order to resolve a determined financial liability of \$97,867. This liability is the result of the Office of the State Auditor's Report# 2002-4450-3C which reviewed certain activities of XYZ Corporation, Inc. for the period July 1, 1999 through December 31, 2001. XYZ Corporation, Inc. agrees to pay this liability which was primarily the result of undocumented and unallowable program costs charged to the Commonwealth.

The parties agree to the following terms and conditions:

1. Commencing on July 1, 2004, XYZ Corporation Inc. will repay \$97,867 to the Department of Transitional Assistance according to the following schedule:

- July 1, 2004 – Lump Sum Payment of \$ 25,867.
- Commencing on August 1, 2004 36 monthly payments of \$2,000 per month.

Each payment is due on the first day of each month until the liability is paid in full.

2. Should XYZ Corporation, Inc. fail to make a timely payment, the Department at its discretion, may use other remedies in order to insure collection, including but not limited to, offsetting the payment then due against the current contract(s) because of a breach of this repayment agreement.
  3. This agreement is not contingent upon XYZ Corporation, Inc. either maintaining a service contract with the Department or the Commonwealth of Massachusetts being awarded a service contract at any time in the future.
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4. All repayments, in the form of a check payable to the Department of Transitional Assistance, Commonwealth of Massachusetts, shall be forwarded to the Department's Contract Officer, as shall be designated from time to time.
  5. The Department reserves the right to review the XYZ Corporation, Inc. financial condition to determine if the Organization is able to increase its monthly payments. If the Organization is able to increase its monthly payments, or make a larger lump sum payment during the repayment period, then a new mutually acceptable Repayment Agreement will be negotiated.

In witness whereof the authorized signatories for the respective parties have hereunto set their hands and seals.

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For the Board of Directors of XYZ Corporation, Inc. Date:

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For the Department of Transitional Assistance: Date:

Cc: Program Manager  
Contract Manager  
Director Bureau of Audit, OSD  
PPA's of other effected agencies

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## CAP Monitoring Log

Corrective Action Plan (CAP) Monitoring Log is maintained by the PPA as a means to following up on the Corrective Measures noted in the CAP.

Department of Transitional Assistance Corrective Action Plan (CAP) Monitoring Log Fiscal Year 2005					A/O 3/14/05
Provider / Contact Personnel	Provider FYE	Qtrly Rpt Due	Financial Qtrly Rpt Due Date	Date Report Received	
Name of Provider	Sep 30	9/30/2004	11/30/2004	11/30/2004	
Name - Executive Director		12/31/2004	1/31/2005	1/29/2005	
Phone Number & Ext./E-mail Address		3/31/2005	4/30/2005		
Name - Fiscal Manager		6/30/2005	7/31/2005		
Name of Provider	Sep 30	6/30/2004	8/31/2004		
Name - Executive Director		9/30/2004	10/31/2004	11/1/2004	
Phone Number & Ext./E-mail Address		12/31/2004	1/31/2005		
Name - Fiscal Manager		3/31/2005	4/30/2005		
Name of Provider	Jun 30	3/31/2004	4/30/2004	4/27/2004	
Name - Executive Director		6/30/2004	8/31/2004	11/12/2004	
Phone Number & Ext./E-mail Address		9/30/2004	10/31/2004	10/29/2004	
Name - Fiscal Manager		12/31/2004	1/31/2005	1/31/2005	
		3/31/2005	4/30/2005		
		6/30/2005	8/31/2005		
Name of Provider	Sep 30	6/30/2004	8/31/2004	11/30/2004	
Name - Executive Director		9/30/2004	10/31/2004	11/30/2004	
Phone Number & Ext./E-mail Address		12/31/2004	1/31/2005		
Name - Fiscal Manager		3/31/2005	4/30/2005		
Name of Provider	Jun 30	6/30/2004	7/31/2004	8/20/2004	
Name - Executive Director		9/30/2004	10/31/2004	12/6/2004	
Phone Number & Ext./E-mail Address		12/31/2004	1/31/2005		
Name - Fiscal Manager		3/31/2005	4/30/2005		
Name of Provider	Sep 30	6/30/2004	7/31/2004	7/26/2004	
Name - Executive Director		9/30/2004	10/31/2004	11/3/2004	
Phone Number & Ext./E-mail Address		12/31/2004	1/31/2005	2/7/2005	
Name - Fiscal Manager		3/31/2005	4/30/2005		
		6/30/2005	7/31/2005		
Name of Provider	Jun 30	3/31/2004	4/30/2004	12/10/2004	
Name - Executive Director		6/30/2004	7/31/2004	11/15/2004	
Phone Number & Ext./E-mail Address		9/30/2004	10/31/2004	12/10/2004	
Name - Fiscal Manager		12/31/2004	1/31/2005	1/25/2005	
		3/31/2005	4/30/2005		
Name of Provider	Jun 30	6/30/2004	9/30/2004	11/12/2004	
Name - Executive Director		9/30/2004	10/31/2004	10/29/2004	
Phone Number & Ext./E-mail Address		12/31/2004	1/31/2005	1/31/2005	
Name - Fiscal Manager		3/31/2005	4/30/2005		

**Surplus  
Revenue  
Retention  
Letter**

The Surplus Revenue Retention letter advises the Provider that they had incurred surplus revenue based on their unit rate contracts with the Commonwealth, in which the PPA is obligated to recoup under OSD regulations.

February 20, 2004

Executive Director  
Organization Name  
Street Address  
City, State, Zip Code

Dear:

The [Name of Agency A], as your Principal Purchasing Agency within the Executive Office of Health and Human Services, is responsible for Re-qualifying your agency. During our review of your Uniform Financial Report (UFR) and the Notes to the Financial Statements (#7) for the fiscal year ending June 30, 2003, we noted that your organization accumulated **excess** surplus revenues of \$110,544. As a result, according to the surplus revenue retention policy under 808 CMR 1.19(3); the cumulative amount of a provider's surplus account may not exceed 20% of the prior year's revenues from purchasing agencies.

Since 1994, XYZ Corporation accumulated \$110,544 in excess surplus revenues. Of this amount, \$66,154 was accumulated prior to June 30, 2001. During FY02, your organization generated an additional \$44,390 in surplus revenue. According to the Operational Services Division (OSD), the surplus was generated from contracts with two state agencies, the [Name of Agency A] and [Name of Agency B]. As such, the OSD determined that the amount of excess surplus attributable to [Name of Agency A] and [Name of Agency B] is \$98,384 (89%) and \$12,160 (11%) respectively.

Under OSD regulation, the Purchasing Agencies may: (1) enter into an agreement with the Provider which would stipulate the use of the excess funds, (2) reduce future contract prices, or (3) request that the excess funds be repaid to the Commonwealth. The [Name of Agency A] and [Name of Agency B] will be contacting your organization in the near future to determine how the \$110,544 in excess surplus revenues will be used. For informational purposes, during the 2003 fiscal year, [Name of Agency A] contracted with your organization for the Young Parents Program (\$408,150) and the Supported Work Program (\$267,643.41). [Name of Agency B] did not contract with XYZ Corporation during that time.



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If you have any questions or require further assistance regarding this matter, please call [Provider Qualification Analyst (PQA)] (xxx)-xxx-xxxx .

Sincerely,

Manager  
Prequalification & Vendor Compliance

Cc: Asst. Commissioner, A&F  
Asst. Commissioner for Policy and Program Mgt.  
Director ESP  
Director of Contracts  
Auditor  
Agency B PQA

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**Standard  
Sanction  
Letters**

The following standard sanction letter examples will be covered in this section:

- OSD Notice to Provider for failure to file UFR
- Sanction Letter from OSD to Provider and all EOHHS Agencies that contract with that provider
- Sanction Release Notice from OSD to Provider and all EOHHS Agencies that contract with that provider
- Sanction Letter from PQA to Agency Accounting and Program Managers
- Sanction Release Letter from PQA to Agency Accounting and Program Managers

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***OSD Notice to Provider for failure to file UFR:***

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December 6, 2005

Organization Contact  
XYZ Corporation  
Street Address  
City, State, Zip Code

Dear Organization Contact:

This Division is writing to notify your organization that it did not file the Uniform Financial Statements and Independent Auditor's Report (UFR) for the Fiscal Year 2005.

The Division expected your organization to file its properly completed Fiscal Year 2005 UFR on or before the 15<sup>th</sup> day of the fifth month after the close of your organization's fiscal year or by the extension due date granted in writing by the Division prior to the original due date as required by 808 CMR 1.04(2) and (7).

Consequently, the Division is formally notifying your organization that the Division will direct all Commonwealth Departments contracting with your organization to initiate penalties by delaying payment if a properly completed UFR for Fiscal Year 2005 is not received by this office on or

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before thirty (30) calendar days from the date of this letter. Contractors of special education services are required to file their UFR on or before their filing deadline to be eligible for an increase to prices authorized pursuant to the provisions of 808 CMR 1.06. Your filing deadline has passed if your organization

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is a special education contractor and you have received this letter.

Penalties to which a Contractor and Subcontractors may be subject for failure to file a properly completed UFR for Fiscal Year 2005 with this Division pursuant to 808 CMR 1.00, Compliance, Reporting and Auditing for Human and Social Services are as follows:

808 CMR 1.04(11): Penalties.

- (a) Application. DPS, Secretariats and Departments have authority to pursue remedial measures and assess penalties under the provisions of 808 CMR 1.04(11). In addition, DPS or Secretariats may require Departments or the Office of the Comptroller to take action necessary to carry out any penalty assessed by DPS or Secretariats. The availability of penalties under 808 CMR 1.04 shall not limit the Commonwealth's rights to pursue other remedies available by law, regulation, contract or the audit resolution policy.
- (b) Failure to Comply with 808 CMR 1.04(1), (2), (3), (6), (8), (9) or (10). If a Contractor fails to comply with 808 CMR 1.04(1), including correction of deficiencies, 808 CMR 1.04(2), (3), (6), (7), (8), (9) or (10) in a timely manner, regardless of the stated reason, the Contractor may be subject to penalties up to and including: delay of payment, disallowance of payment of expenses relative to which documentation sufficient to meet the governmental agencies' inspection or auditing standards is not provided, restriction on bidding for new contracts, restriction from receiving additional funds or price increases, determination that the Contractor is ineligible for the ready payment system under 815 CMR 3.10(1), or debarment from doing business with the State. In addition, Contractors of special education services shall be deemed ineligible for an increase to prices authorized pursuant to the provisions of 808 CMR 1.06.

Information concerning the audit and preparation of the UFR and other Purchase-of-Service (POS) related materials may be viewed and downloaded to a disk from the UFR Efiling home page located at <http://www.mass.gov/ufr>.

If you have any concerns, please contact OSD Auditor at (xxx) xxx-xxxx.

Sincerely,

Director of Audit

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***Sanction Letter from OSD to Provider and all EOHHS Agencies  
that contract with the Provider:***

This informs the Provider that all payments to their organization will stop until UFR requirements are met.

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January 23, 2006

Organization Contact  
XYZ Corporation  
Street Address  
City, State, Zip Code

Dear Organization Contact:

This Division is writing to notify your organization of our intention to immediately initiate sanctions pursuant to 808 CMR 1.04 (11)(b) for not filing a properly completed Uniform Financial Statements and Independent Auditor's Report (UFR) for the Fiscal Year 2005.

The Division previously wrote to your organization on December 6, 2005, notifying your organization that it failed to file the UFR pursuant to 808 CMR 1.04(2) and advising of the initiation of penalties if a properly completed Fiscal Year 2005 UFR was not filed with this office on before the passage of 30 days from the date of our letter.

Consequently, the Division is formally notifying your organization that the Division is directing all Commonwealth Departments contracting with your Contractors of special education services are required to file their UFR on or before their filing deadline to be eligible for an increase to prices authorized pursuant to the provisions of 808 CMR 1.06. Your filing deadline has passed if your organization is a special education contractor and you have received this letter.

Penalties to which a Contractor and Subcontractors may be subject for failure to file a properly completed UFR for Fiscal Year 2005 with this Division pursuant to 808 CMR 1.00, Compliance, Reporting and Auditing for Human and Social Services are as follows:



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808 CMR 1.04(11) (b): Penalties.

Failure to Comply with 808 CMR 1.04(1), (2), (3), (6), (8), (9) or (10). If a Contractor fails to comply with 808 CMR 1.04(1), including correction of deficiencies, 808 CMR 1.04(2), (3), (6), (7), (8), (9) or (10) in a timely manner, regardless of the stated reason, the Contractor may be subject to penalties up to and including: delay of payment, disallowance of payment of expenses relative to which documentation sufficient to meet the governmental agencies' inspection or auditing standards is not provided, restriction on bidding for new contracts, restriction from receiving additional funds or price increases, determination that the Contractor is ineligible for the ready payment system under 815 CMR 3.10(1), or debarment from doing business with the State. In addition, Contractors of special education services shall be deemed ineligible for an increase to prices authorized pursuant to the provisions of 808 CMR 1.06.

Information concerning the audit and preparation of the UFR and other Purchase-of-Service (POS) related materials may be viewed and downloaded to a disk from the UFR Efiling home page located at <http://www.mass.gov/ufr>

If you have any further questions or concerns, please contact OSD Auditor at (xxx) xxx-xxxx.

Sincerely,

Director of Audit

MAI/mai  
cc: Agency A PQA  
Agency B PQA  
Agency C PQA

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***Sanction Release Notice sent via e-mail from OSD to the Provider and all EOHHS Agencies that contract with the provider:***

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**From:** OSD Auditor  
**Sent:** Monday, February 06, 2006 9:40 AM  
**To:** Agency A PQA; Agency B PQA; Agency C PQA  
**Subject:** Resume Payment Notice XXXXXXXXXX-2005  
Resume Payment Notice: XYZ Corporation. XXXXXXXXXX has filed their UFR. Thank you.

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***Sanction Letter from PQA to Agency Accounting and Program Managers:***

Informs accounting and program management further payments are being withheld pending fulfillment of UFR requirements to OSD.

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TO: \_\_\_\_\_, Director of Accounting

FROM: \_\_\_\_\_, Provider Qualification Analyst

DATE:

RE: Sanctions – Delay of Payments

Effective immediately, please **withhold all payments** to the following [Name of PPA] Provider. I have been notified by the Operational Services Division (OSD) that this Provider is in violation of 808 CMR 1.04(2):

**Provider Name**

**FEIN**

The sanctions are being initiated by OSD because this provider has not filed a properly completed Uniform Financial Report (UFR) and Independent Auditor's Report for the Fiscal Year 2\_\_\_\_.

A copy of the individual provider sanction letter is attached for your records.

I will notify you when OSD terminates this sanction.

If you have any questions, please call me at extension \_\_\_\_\_. Thank you for your cooperation regarding this matter.

Cc: Name of the PPA Program Manager  
Name of the PPA Contract Manager

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***Sanction Release Letter from PQA to Agency Accounting and Program Managers:***

Informs accounting and program management that the OSD has released sanctions against the Provider and that payments to the Provider can resume.

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TO: \_\_\_\_\_, Director of Accounting

FROM: \_\_\_\_\_, Provider Qualification

DATE:

RE: Sanctions – Release

Effective [Date sanctions lifted], the Operational Services Division (OSD) lifted sanctions against the following provider. (See the attached memo from the OSD).

**Provider**

**FEIN**

Effective immediately, please resume payments to this provider.

If you have any questions regarding this transaction, feel free to call me at extension \_\_\_\_\_ at your convenience. Thank you for your assistance regarding this matter.

Cc: Name of the PPA Program Manager  
Name of the PPA Contract Manager

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